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Cayman Islands

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I. General

1. The Territory of the Cayman Islands[1] is located some 180 miles west of Jamaica and about the same distance south of Cuba. It comprises three islands: Grand Cayman (76 square miles), Cayman Brac (15 square miles), and the adjacent and largely undeveloped Little Cayman (11 square miles).

2. The official results of the national census conducted in October 1999 indicated that the population of the Territory was 39,410, about 55 per cent higher than the 25,355 residents recorded in the 1989 census. Caymanians make up about 53 per cent of the population, a decline from 67 per cent in 1989. In 10 years, the non-Caymanian population has about doubled, from 8,387 in 1989 to 18,529. An estimated 25 per cent are of African descent, 20 per cent are of European descent and the remainder are mixed.

3. At the time of the census, of 25,506 persons employed in the labour force, 10,629 or 42 per cent were Caymanian. The average annual per capita income was $20,000. Caymanians on average earned $31,751 while non-Caymanians averaged $29,735. Male residents earned on average $36,584 and females $24,940.[2]

II. Constitutional and legal issues

4. The Cayman Islands is a Non-Self-Governing Territory (Overseas Territory) under the administration of the United Kingdom of Great Britain and Northern Ireland. The Constitution of 1959 was revised in 1972, 1992 and 1994. Under the Constitution, the Governor, who is appointed for four years by the British monarch, is responsible for external affairs, defence, internal security and public service. The Governor is the Chairman of the Executive Council, which comprises three members appointed by the Governor, namely the Chief Secretary (until 1992 Administrative Secretary), the Financial Secretary and the Attorney-General, and five members elected by the Legislative Assembly, and is responsible for the administration of government. The Governor assigns ministerial portfolios to the elected members of the Executive Council. The Legislative Assembly comprises 3 official members designated in the Constitution and 15 members elected by universal adult suffrage for a period of four years. Since 1991, a Speaker is elected to preside over the Assembly.

5. Currently, the Governor of the Cayman Islands is Peter Smith. He will be succeeded by Bruce Dinwiddy, who is due to take up his appointment in May 2002.[3]

6. The judicial system is based on British common law, certain British statutes and local statute law. There is the Grand Court (with Supreme Court status), the Summary Court, which includes criminal, civil, family, youth and coroner's court. Appeals lie with the Court of Appeal of the Cayman Islands and beyond that with the Privy Council in London. In his throne speech to the Legislative Assembly, in February 2002, the Governor announced the forthcoming establishment of drug courts to deal with drug-related crime.

7. In March 1999, the Government of the United Kingdom presented draft legislation pertaining to its relations with its overseas territories. A proposal entitled "Partnership for progress and prosperity: Britain and the Overseas Territories" is known as the White Paper. The legislation proposed the extension of British citizenship to the citizens of the Territories; at the same time, it required the Territories to amend their local legislation, in particular on human rights and on the regulation of financial services to meet international standards. The bill completed a three-step process through the House of Lords in 2001 and completed its third reading in the House of Commons in February 2002. It received royal assent on 26 February 2002 and became the British Overseas Territories Act 2002. On 18 March 2002, Baroness Amos stated that the British Government was putting into place arrangements to implement the citizenship provisions, the commencement date of which would be announced no later than 21 May.[4]

III. Political developments

A. General

8. Until recently, there were no formal political parties in the Territory and the following loose groupings acted as political organizations: National Team, Democratic Alliance and Team Cayman. The general elections held on 8 November 2000, with a record number of 57 candidates running independently, ended the eight-year rule of the National Team, which lost six of its nine seats in the Legislative Assembly.

The newly elected Assembly appointed Kurt Tibbetts of the Democratic Alliance as Leader of Government Business.

9. On 5 November 2001, a majority of the Legislative Assembly members formed a political party, the United Democratic Party. Three days later, the Legislative Council voted nine to five (with one abstention) in favour of a no-confidence motion against Kurt Tibbetts, thus dismissing him as a leader of the Executive Council. The post of the Leader of Government Business went to the former Minister of Tourism, Mr. McKeeva Bush of the United Democratic Party. Those developments were followed by some political pressure for early elections, in particular by a group called "Concerned Caymanians". However, the new leader of the Government declared that there would be no new elections before those due in November 2004.[5]

10. According to Oxford Analytica, the events of November 2001 can be attributed to the economic problems in the Territory that had been accumulating during the previous year and became more evident in the wake of the 11 September terrorist attacks on the United States of America. The downturn in tourism exacerbated an existing slowdown, reinforcing the urgency of political modernization and highlighting the Territory's narrow economic base. The new administration will have to undertake the restructuring of the system in order to preserve the inherited advantages of the economy (see also chap. IV below).[6]

B. Constitutional review

11. In June 2001, a Constitutional Review Commission, consisting of three members, was appointed by the Governor. The Commission has organized a series of public meetings in order to hear what, if any, changes Caymanians want included in the new Constitution. In order to assist the process of the constitutional review, an 18-point constitutional modernization checklist has been presented to the public. It gave an indication of the standards that the Territory should seek to achieve, the obligations that it should strive to meet and the expectations of the Government of the United Kingdom in key areas of modernization.[7]

12. The constitutional review and the public meetings of the Constitutional Review Commission were widely discussed in the Territory's press during the period under review. According to press reports, there is a general agreement among the population that an update of the Constitution is needed. There is also wide support for the introduction of a bill of rights in the Constitution, as well as support for change in the electoral system to a one-man one-vote principle.[8]

13. Other main issues discussed during the public meetings were the question whether the Cayman Islands should change from its current system of government headed by a governor to the one headed by a chief minister; the qualifications required of candidates wanting to run for the Legislative Assembly; and the question of introducing the party system and multi-candidate constituencies.

14. The report of the Commission will be submitted to the Governor in 2002. Any changes to the Constitution will have to be approved by the Governor, British authorities and the Legislative Assembly of the Territory.[9]

IV. Economic conditions

A. General

15. The Cayman Islands has one of the highest standards of living in the Caribbean. The economy is based on tourism and on the Cayman Islands' status since 1966 as an international offshore finance centre. The principal sources of government revenue are import duties, company and bank and trust licence fees and stamp duties. There is no income tax, company tax or excise duty. Although imports outstrip exports by about 100:1, the visible trade gap is more than offset by invisible earnings from the tourism and financial services sectors.

16. The slowdown in economic performance in the world and, mainly, in the United States has had a negative impact on the economy of the Territory. However, the new Government formed in November 2001 has stated its commitment to introduce measures to modernize the Territory's economic structure and to maintain the high economic level irrespective of a temporary setback. In particular, the Government has said it would not introduce income tax or other form of direct taxation,[10] and would maintain the value of the local currency. (The currency of the Cayman Islands is the Cayman Islands dollar (CI$). The Cayman Islands

dollar is fixed against the United States dollar at the rate of CI$ 1 = US$ 1.20.)[11]

17. In September 2001, a new public management and finance law, was passed in the Territory. That law was the first step in a broader financial management initiative which would be carried out during the next five years. Its main focus would be to introduce a results-based management system in the Cayman Islands. The initiative would require the Government to operate with more transparency at all stages of financial planning and management and is expected to improve both the efficiency and effectiveness of government actions.

18. The Government that came to power in November 2001 has stated that it is determined to intensify the implementation of the financial management initiative. In this regard, it plans to pursue and further develop the partnership between the public and private sectors in the provision of public services and to fully privatize some of them. That might include the services currently provided by Radio Cayman, the Department of Vehicle and Equipment Services, garbage collection and debt collection.[12]

B. Budget

19. In his budget address of 2002, the Financial Secretary stated that the growth of the Cayman Islands economy slowed considerably in 2001. At the end of the year, the growth rate was estimated at 1.5 per cent, compared to earlier expectations of 3.0 per cent. As the main reasons for the economic downturn the Secretary named the slow growth of the United States economy and the negative effects of the 11 September terrorist attacks, especially on the tourism industry. In 2002, the downward trend in the economy is expected to continue and the growth is estimated to be 1.1 per cent.[13]

20. According to the Financial Secretary, for fiscal year 2001 the expected recurrent revenue is forecasted at $283.2 million, down $28.1 million against the 2001 budget of $311.3 million. The recurrent revenue is expected to exceed the 2001 budget projections in the following areas: gasoline and diesel ($1.6 million), cable and wireless licence ($1 million) and work permit fees ($1.1 million). Recurrent revenue is forecasted to be lower than projected in the 2001 budget in the following main areas: motor vehicles ($1.6 million), other import duties ($13 million), stamp duty on land transfers ($2.8 million), other stamp duties ($3.6 million), tourist accommodation tax ($1.4 million) and company fees ($2.7 million).

21. Recurrent statutory expenditure is forecast at $314.3 million, $13 million less than the modified 2001 budget of $327.3 million. Capital Development Fund expenditure is forecast at $23.5 million against a modified 2001 budget of $28.2 million. The receipts are forecast as follows: environmental fund — $3.4 million against a 2001 budget of $3.6 million; infrastructure development fund — $1.4 million against $2.9 million in the 2001 budget; and road development fund is forecast to equal the 2001 budgeted provision of $400,000.

22. The forecasted accumulated net budget deficit is $15.1 million, with a net deficit of $4.9 million from 2001 and $10.2 million from 2000. In order to alleviate the situation, the Financial Secretary proposed some cuts in expenditures and several increases in government revenues that would result in a $342.9 million balanced budget for 2002 with a $15.4 million operating surplus. The Government intends to borrow $8.8 million, which is considerably less than the $55.5 million borrowed in 2001. Projected increases in government revenues for 2002 totalled $54.9 million.

C. Agriculture, livestock and fisheries

23. Agricultural activities, limited by infertile soil, low rainfall and high labour costs, have nearly doubled over the past five/six years, with 10 large farms totalling over 100 acres now in service. Agricultural products include bananas, tomatoes, lettuce, honey, mangoes, citrus fruits, various vegetables and coconuts. Livestock rearing consists of beef cattle, poultry and pigs. According to information provided by the administering Power, the value of domestic agricultural products produced in 2000 was $1.8 million, an increase of 13.4 per cent from 1999. The largest increases were in meat and livestock produce (26 per cent), juice (18 per cent) and fruit (11 per cent).

D. Tourism

24. The tourism sector dominates the Caymanian economy, accounting for about 70 per cent of the gross

domestic product and 75 per cent of foreign currency earnings.

25. As had been reported in the previous working paper (see A/AC.109/2001/15, para. 30), it became apparent that the figures representing the number of tourists visiting the Cayman Islands had been miscalculated since 1994. In January 2002, the Leader of the Government Business (acting also as the Minister of Tourism) stated that "problems had been caused by a series of errors made over time by the Departments of Computer Services, Immigration, Statistics, and Tourism and that it might not be possible anymore to calculate a complete set of true arrival numbers for the period 1994 to 2000".[14]

26. Official tourist arrival figures for the first half of 2001 indicate an increase in air arrivals of 2.4 per cent from 192,409 in 2000 to 197,094 for the same period in 2001. Owing to the fact that 80 per cent of tourists come to the Cayman Islands from the United States, the terrorist attacks of 11 September 2001 had an adverse impact on the tourist industry, causing numerous cancellations. In September, hotel occupancy plummeted to as low as 10 per cent. The Leader of the Government qualified the six weeks following the attack as "the most devastating in the recent history of travel and tourism". As a result, the hotel occupancy rate for the three first quarters of 2001 was 58.7 per cent, compared with 64.6 per cent in 2000. At the same time, the number of cruise ship arrivals reached 627,251 by the end of September 2001, an increase of 7.7 per cent compared with 582,182 for the same period in 2000.

27. The Government continued its efforts to improve the performance of the tourism sector. The budget address for 2002 outlines several initiatives which include a million-dollar television advertisement campaign to be launched in eight cities in the United States and Canada; 72 additional cruise ship calls expected to bring about 365,000 visitors to the Territory; the promotion of on-island tourism; and a training programme for front-line staff working in customs and immigration.[15]

28. The growing number of cruise ship tourists brought to light the problem of congested harbour facilities. After complaints from the cruise lines, the responsibility for scheduling cruise ship arrivals was transferred from the Department of Tourism to the Port Authority. The Port Authority discovered that, on certain dates, the number of cruise passengers would significantly exceed the capacity of the harbour as well as other services in George Town. To redress the situation, rescheduling of cruise ship arrivals was necessary, at least as a temporary measure. For a long-term solution, the Port Authority is in the process of finalizing the plans for the expansion of the port.[16]

29. Among other improvements proposed by the Government is a change in the entertainment laws of the Cayman Islands which would provide extended hours of entertainment for the benefit of the tourists. (Currently, the Liquor Licensing and Music and Dancing Laws require nightclubs and bars to close at 11.45 p.m. on weekdays and 12.45 a.m. on weekends and require customers to follow a dress code.)[17]

30. According to the Governor, an Investment Bureau is due to be established by mid-2002 to promote tourism and the financial services of the Cayman Islands and to provide a "one-stop-shop" for those interested in investing in the Territory. To this end, Cayman Islands tourism and investment offices are planned to be established in London and New York by November 2002.

31. The construction of the $350 million Ritz-Carlton resort and condominium project, partially financed with a $105 million loan from the Royal Bank of Scotland, is proceeding. Phase one, which involves the construction of a 366-room hotel, 71 condominium units and a golf course, is scheduled for completion in 2003. Phase two, which would be completed in 2005, will include the construction of 300 villas and 12 larger residences.[18]

E. Financial services

32. The Cayman Islands remains among the top international financial centres, with 48 of the world's top 50 banks holding licences there. The banking sector employs more than a tenth of the labour force and contributes 15.5 per cent of the GDP. In September 2001, there were 548 licensed banks and trust companies (compared with 569 in September 2000), 564 licensed insurance companies (545 in 2000) and 3,476 registered mutual funds (2,900 in 2000). In the first three quarters of 2001, 6,680 new companies were registered, compared with 9,963 in the same period in 2000.[19] The Territory is the second largest offshore mutual fund jurisdiction. In 2000, it had 3,014

registered mutual funds with more than $250 billion in assets. The Cayman Islands Stock Exchange, which began operating in 1997, has been one of the fastest growing exchanges in the world. In June 2001, it had a market capitalization of $36 billion and more than 400 listings. Mutual funds account for around 75 per cent of the exchange.[20]

33. The Monetary Authority, which oversees the financial industry, was established in 1997. According to the Financial Secretary, the Government is planning to present in 2002 legislation that will provide for the independence of the Monetary Authority in its supervision and regulation of financial services. The agency will have the responsibility to ensure that the regulations applied in the Territory "both meet recognized international standards and are appropriate to the business conduct".

34. As has been reported in the previous working paper (see A/AC.109/2001/15, paras. 34-41), the Cayman Islands had been included in a list of countries and jurisdictions whose financial practices were conducive to tax evasion and money-laundering by the Organisation for Economic Cooperation and Development (OECD). The Government of the Cayman Islands has made considerable efforts to improve its legislation in keeping with the Territory's status as one of the major international financial centres and its sound business reputation.

35. In June 2001, the Cayman Islands was removed from the list of non-cooperative countries after the Financial Action Task Force (FATF) Review Group of the Americas conducted an on-site visit to the Territory in April 2001 and reported that the Cayman Islands was deemed compliant with the 25 criteria used for evaluation. FATF commended the Cayman Islands, stating that it had taken concrete steps to implement legal reforms and made significant improvements in its anti-money-laundering systems.[21] Following the FATF review, the Government set up two bodies, namely the Monetary Authority's Committee on the Anti-Money-Laundering Guidance Notes, with significant private sector representation, and a money-laundering oversight committee chaired by the Attorney-General and comprising the key government officials. These bodies will ensure that the anti-money-laundering framework remains current as well as appropriately responsive to relevant local and international developments.

36. According to the Financial Secretary, the initiatives of OECD, the European Union and FATF related to harmful tax practices and money-laundering can be expected to continue in the future. The Government intends "to position the Cayman Islands successfully in relation to these initiatives as they develop, following on from the OECD cooperative country status achieved in May 2000, the positive outturn from the Klynveld, Peat, Marwick and Goerdeler (KPMG) consulting firm review of October 2000, and the FATF cooperative country status achieved in June 2001".

37. In compliance with the commitment on information-sharing with other countries, on 27 November 2001 the Cayman Islands Government signed a tax information exchange agreement with the United States. The agreement is not retrospective. The Territory has two years to develop the necessary legislation. It will apply to criminal tax evasion beginning from January 2004, and to civil and administrative tax matters beginning from January 2006. The definition of criminal tax evasion and the requirement for a valid request for information are being developed.

38. In the aftermath of the 11 September terrorist attacks, the Government of the Cayman Islands expressed its willingness to assist the investigation of the terrorists' financial resources and to freeze terrorist-related accounts. In February 2002, the Government announced its readiness to cooperate with the United States Government in the investigation of the bankruptcy of the Enron Corporation. According to reports, out of more than 800 offshore subsidiaries used by Enron, as many as 692 were in the Cayman Islands.[22]

F. Transport and communications

39. The Territory's development as an international business centre is dependent on modern and reliable telecommunications and utility services. Currently, the multinational company Cable and Wireless holds an exclusive licence for provision of telecommunication through its local Cable and Wireless (Cayman Islands) Ltd. The Government of the Territory plans to take steps to liberalize the telecommunication sector of the economy. The process will begin in 2002. The Government has expressed the hope that, with new companies entering the local market, the prices for

information and communication services will go down, which, among other things, will stimulate the expansion and the competitiveness of the e-commerce sector of the economy. According to the Financial Secretary, a new information and communications bill, which will subsume existing broadcasting, radio and telephone laws, will be presented to the Legislative Assembly, and a new Information and Communications Technology Authority will be set up in early 2002.[23]

40. International air services are provided between Grand Cayman and the United States, Canada, Europe, Jamaica, Honduras and Cuba. Major United States and British airlines operate regularly to and from the Caymans. Domestic airline services and charters operate between the sister islands of the Caymans. During the period under review, a renovation project of the Cayman Brac's airport was completed. The runway, apron and aircraft parking stands were resurfaced, new runway lights were installed and the flooding problem of the runway was solved by installing a drainage system. Renovations were seen by the Minister of Tourism to be an important step towards providing reliable air service, which is imperative to the development of the island.[24] According to the Governor, efforts are under way to prepare a major development programme to improve the infrastructure at the Owen Roberts International Airport.

41. The port of George Town, Grand Cayman, was the main gateway for the 965,706 cruise ship tourists who visited the island during 2001. The Cayman Islands are served by scheduled passenger liners, and a number of locally owned or registered vessels provide cargo services between Miami, Tampa and Jamaica. While cargo tonnage is not expected to increase in 2002 owing to a sluggish economy, the number of cruise ship passengers is expected to reach record levels.[25]

42. Following the election in November 2000, the Tourism, Environment and Transportation Minister asked the Port Authority to review the George Town port development project. According to the Governor, upgrading plans for the cruise facilities are being finalized. The first phase of the development, construction of a new cruise tender terminal, is expected to begin in mid-2002. The second phase of the port development will include the reconstruction of the current terminals.

43. According to information provided by the administering Power, in the year 2000 the Cayman Islands Shipping Registry saw a continuing increase in registrations, raising the total number of vessels on the registry to nearly 1,400. In commercial shipping, tonnage growth in excess of 30 per cent yearly was maintained for the third year running. Yacht registrations continued to grow, maintaining the Cayman Islands position as the world's leading offshore registry for "superyachts".

44. According to the Governor, the Shipping Registry is scheduled to become a Statutory Authority. During 2002, it is proposed to submit some 40 new regulations under the Merchant Shipping Law and Merchant Shipping Marine Pollution Law to give local effect to the range of developments in international shipping conventions that apply in the Cayman Islands.

G. Water system, sanitation system and utilities

45. The Public Works Department is responsible for maintaining the public and government infrastructure in the three islands. The Caribbean Utilities Company, a local corporation, is responsible for the generation and distribution of electricity, under a government franchise, on Grand Cayman, while the Cayman Brac Power Company provides the service for the sister islands. The government-owned company, Water Authority Cayman, and the private Cayman Water Company provide water and sewerage services, which complement residents' private wells and cisterns.[26]

V. Social conditions

A. General

46. According to the administering Power, the aim and effect of legislation and action by the Government in the social sphere is to create a society in which individual effort is rewarded while a cushion is provided, often with voluntary help, for the less fortunate.

47. The Government provides assistance for the elderly and disabled, children and young people, persons with mental illness and learning disabilities, and families in financial need. Major services include residential and day care, home help for those confined

at home, other social services for Cayman's youth and women, and drug prevention and rehabilitation programmes. Children's services carried out by the Department of Social Services include adoptions, foster care and the operation of several children's homes.

48. Numerous voluntary and service groups provide assistance to address many social concerns. Many of them are dedicated to specific causes, such as drug prevention and rehabilitation, cancer and the prevention of cruelty to animals. These groups are supported mainly by donations from the Government, the private sector and individuals, and are generally staffed by volunteers.[27]

B. Human rights

49. The Territory is subject to several major human rights conventions to which the administering Power has acceded. The United Kingdom regards the observance of human rights as an important aspect of the partnership with its Overseas Territories and expects that their legislation should comply with the rights extended to them. The Cayman Islands ratified the following core human rights instruments: the International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Economic, Social and Cultural Rights, the International Covenant on Civil and Political Rights, the International Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Convention on the Rights of the Child and the Second Optional Protocol to the International Covenant on Civil and Political Rights (aiming at the abolition of the death penalty). However, the Territory has not yet ratified the Convention on the Elimination of All Forms of Discrimination against Women.

50. The question of including a bill of rights incorporating all basic human rights in the Constitution of the Cayman Islands was discussed in the framework of the review of the Territory's Constitution. Caymanian laws already guarantee many human rights. At the same time, the Cayman Islands remains the only one of Britain's overseas territories without a bill of rights although it is required to have such a bill under various conventions and agreements to which the United Kingdom is a party.[28] One of the issues connected to the bill of rights is the question of gender equality. In his throne speech, the Governor of the Territory reported that the National Policy on Gender Equity and Equality was expected to be finalized by July 2002. He also reported that the establishment of a place of safety for battered women and their children was in progress.

51. In September 2001, the Cayman Islands Government hosted the Human Rights Today Caribbean Symposium, attended by more than 400 delegates from 21 countries. The participants were mostly from the English-speaking Caribbean countries as well as the British Overseas Territories. A wide spectrum of human rights issues was discussed in the symposium. According to the press reports, many delegates from the British Overseas Territories of the Caribbean area criticized the Overseas Territories Bill for attaching the human rights conditions to the offer of British citizenship. That way, the British Government was seen trying to impose its wishes on the Territories.[29]

C. Housing and construction

52. The Housing Development Corporation Law of 1981 provides for the promotion of housing development by extending mortgage loans guaranteed by the Government to residents in the low- to middle-income bracket. Local banks provide up to 100 per cent financing on the strength of a 35 per cent government guarantee.

53. According to the Financial Secretary, the construction industry in the Territory has experienced a continuous decline since 1999. In September 2001, the value of approved developments was $130.1 million compared with $287.2 million registered in September 2000 and $303.5 million in September 1999. The largest decline has been in the apartments category, where approvals fell from $166.4 million in September 1999 to $34.0 million in September 2001. The value of real estate transfers, which in 2000 had risen to $205.2 million, compared with $141.9 million in 1999, dropped to $144.6 million in 2001.

54. To boost the performance of the industry, at the end of 2001, the Government announced concessions for a period of one year in the real estate market and construction industry which include considerable reductions in collections and fees for building permits and infrastructure projects.

55. According to the Governor, a new Cayman Islands Development Bank would replace the Housing

and Development Corporation in managing the home mortgage scheme in 2002. One of the emphases of the new development bank will be on housing for the lower income population. The development bank will be utilizing funds from a recently approved loan from the Caribbean Development Bank.

D. Land

56. According to information provided by the administering Power, some $258 million worth of land changed hands in 2000. While that represented an increase of 12.1 per cent over the value of recorded land transactions in 1999, the number of transactions in 2000 actually decreased, as did tax revenues derived from them. The stamp duty on land transfers in 2001 brought revenue of $2.8 million.

E. Labour

57. According to information provided by the administering Power, the employed labour force in 2000 was 25,459 with Caymanians comprising about 42 per cent. At year-end 1999 there were some 14,000 work permit holders. The workforce includes nationals of 78 countries, with the greatest portion coming from Jamaica, the United States, Canada and the United Kingdom.

58. A local trade union, the National Alliance of Cayman Islands Employees (NACE) was formally launched in 1999. It is believed to be the third such local organization since the passage of the Trade Union Law in 1942.[30]

59. The current Labour Law provides for 12 weeks of mandatory maternity leave in a year, after 12 months of service, of which four weeks will be paid leave. The new law is proposed to increase full maternity leave pay by two weeks to two months and also to include paternity leave.

60. The Department of Human Resources is charged with administering the Labour Law, which governs the terms and conditions of employment in the Territory. A White Paper for Employment Relations, containing suggestions to restructure the employment administration and to comprehensively revise the employment, pensions, trade union and business legislation, was tabled in the Legislative Council in March 2002 for public hearings. According to the Minister for Education, Human Resources and Culture, the revised Labour Law will be called the Employment Law and will include all employees and employers. According to the proposed law, employment tribunals will be separated from the regulatory function of the new Employment Relations Department and the jurisdiction of employment tribunals will be enlarged to handle any labour-related complaint between employers and employees regarding any aspect of the new employment legislation package.[31]

61. Owing to the fact that the economic growth slowed sharply during the past year, job insecurity among the Cayman-born population began to increase. While the economy was booming, the job offers in the Territory exceeded local labour supply and the economy relied heavily on its expatriate workforce (up to 40 per cent). According to an Oxford Analytica report published in November 2001, with the Government cutting jobs and key private sector employers, including Cable and Wireless and Cayman Airways, laying off staff, pressure had mounted on the Immigration Department to refuse the renewal of work permits to non-nationals whenever qualified local substitute workers were available.[32]

F. Education

62. Education is compulsory for all resident children between the age of 4 years 9 months and 16 years. The Government is directly responsible for education within this age group. Two public institutions and one private school provide tertiary education. The Community College of the Cayman Islands is government-owned but independently administered. The Cayman Islands Law School is also government-owned, while the College of the Cayman Islands is private.

63. The Government currently operates six primary schools, one middle school, two high schools and one alternative education centre on Grand Cayman, as well as three primary schools and one high school, which incorporates the middle-school level, on Cayman Brac. Tuition is free for Caymanians at those schools, but an annual book rental fee of CI$ 100-150 per student is charged. In addition, 10 private schools provide primary and/or secondary education. All private schools are monitored by the Education Department and receive grants from the Government. In 2000-2001, total enrolment was 3,996 in government schools

and 1,958 in private schools. In 2001-2002, total enrolment in government schools was 4,065.[33]

64. During the period under review, a report on Caymanian teachers raised concern that only 28 per cent of the public school teachers and 8 per cent of the private school teachers were Caymanian. One of the main recommendations of the report was to improve the working conditions and benefits of local teachers. (The expatriate teachers receive a 15 per cent supplement to their salary while the local teachers do not.)[34]

65. During her speech at the National Education Conference, the new Chief Education Officer stated that the current priority in the education system was to set the appropriate performance standards for students and to test their mastery of the national curriculum by means of mandatory external assessment tests every year. She also noted that the building of one or more government primary and secondary schools would be needed to alleviate the problem of overcrowding.[35]

G. Public health

66. The Health Services Department is responsible for the provision of all government health care, including public health services. In addition to general medical care, a wide range of specialist services is available locally. The Government has a contractual arrangement with the Baptist Hospital in Miami for tertiary care services. According to the administering Power, contraceptive services are provided free of charge, in addition to free antenatal service, which is already being provided for all residents irrespective of nationality. The Health Practitioners Board has responsibility for the registration of private practitioners. By July 2002, the Health Services Department will become a Statutory Authority. There is a 124-bed hospital in George Town. The facility includes a state-of-the-art, fully staffed accident and emergency room. There is also an 18-bed hospital on Cayman Brac, and several district health centres and clinics. In 2000, there were 84 registered doctors and 14 dentists on the Cayman Islands.

67. According to the Governor, with the commissioning of new purpose-built in-patient facilities scheduled for completion by the middle of 2002, the provision of mental health, hospice and geriatric services will be substantially enhanced.

68. A health insurance law passed in 1997 established a system of compulsory health insurance for all residents. According to the Government information service press release, in order to bring the cost of health care in line with the actual costs of providing services, health-care fees and charges will be raised considerably in 2002. The increase will be executed in two phases. In January fees were raised by 30 per cent overall, and in April fees will be raised some more. Furthermore, new fees and charges for previously free services will be introduced and fees for non-residents will be higher than fees for residents.[36] About 11,000 persons are entitled, with some restrictions, to free medical care at the Government's expense.

69. In 1997, a law was passed establishing the National Drug Council as an independent, non-profit statutory corporation with the mission of coordinating anti-drug efforts in the Territory. A survey by the National Drug Council published at the end of 1998 found that 11.5 per cent of students had used solvents and 10.5 per cent had used "ganja". The Government is taking measures to combat the problem. According to the Governor, the Drug Resistance Awareness programme will be extended to all public schools on the island during 2002.

H. Crime and public safety

70. The Royal Cayman Islands Police force comprises 295 officers and 40 support staff. It has a shortfall of Caymanian recruits and has officers seconded by the United Kingdom. Officers recruited are from Jamaica, Belize, Barbados, Canada, Nicaragua, Trinidad, Honduras, the Bahamas, Nigeria and the United States. In 2002, front-line policing will be strengthened by the recruitment of auxiliary constables in order to release trained officers for operational duty. Additional recruitment of special constables will provide a more visible police presence.[37]

VI. Environment and natural resources

71. The Islands have 25 endemic species of plants and reptiles. On Grand Cayman, a botanical park and bird sanctuary provide safe environments for endangered species of birds and lizards. Little Cayman is host to a wide variety of flora, fauna and birdlife. It

also has its own bird sanctuary. Over 200 species of birds have been identified on the Islands. Over the years, the Government of the Cayman Islands has employed a variety of conservation strategies, including the establishment of a system of marine parks and protected areas on land and the development of public education and integrated species conservation. Growing public awareness and the development of expertise among government and non-governmental organizations has also contributed to placing local environmental concerns on the national agenda.[38]

72. Local laws and regulations and administrative and institutional arrangements which enable the protection and conservation of the natural environment are in place. Through the Government of the United Kingdom, the Cayman Islands are party to a number of legally binding international conservation agreements.[39] A new marine pollution law has been drafted. The Territory has set a world standard in marine conservation. The Cayman Islands Turtle Farm serves as a breeding ground for the green turtle. After being bred and hatched on the farm, they are released into the ocean. This has led to an increase in the previously diminishing sea turtle population.[40]

73. The rapid pace of development has placed stress on the Cayman Islands' land and marine ecosystems. The Department of Environment, a government environmental agency, and the National Trust (a non-profit organization for environmental preservation) work together to ensure responsible management and sustainable use of the natural environment and resources. During the period under review, the National Trust reported that the Cayman Islands' indigenous land crab population was declining rapidly. The main reason for the massive decline was the destruction of the habitat caused by development of the coast and destruction of the mangroves. Other reasons included over-harvesting and new and existing roads.[41]

74. In September 2001, the Cayman Islands and the United Kingdom signed an environmental charter, which conforms to the principles set out in the Rio Declaration on Environment and Development. The charter covers such issues as environment and development interface, habitat and species conservation, pollution, energy and technology issues, and natural disasters. The charter contains 10 guiding principles and 11 commitments for both the United Kingdom and the Cayman Islands related to the environment.[42]

VII. Relations with international organizations

75. In February 2002, the Cayman Islands, which had been an observer with the Caribbean Community (CARICOM), were approved for associate member status. However, as a British Overseas Territory, the Cayman Islands are not allowed to vote or to participate in or take positions on matters of foreign affairs or other matters that are reserved for the United Kingdom under the Constitution, and as such they needed the approval of the Government of the United Kingdom for the formal application for membership. The terms and conditions of associate membership will have to be considered by the Cayman Islands Executive Council and Legislative Assembly and, if accepted, the Cayman Islands is expected to accede to associate membership of CARICOM in May 2002.[43]

76. According to a press release from the Territory's Government, as an associate member of CARICOM, the Cayman Islands will have representation in forums and meetings such as the World Bank and the International Monetary Fund (IMF). The Territory will also be able to increase its bargaining power on issues of common concern to CARICOM and the Cayman Islands, such as OECD/FATF matters. Furthermore, associate membership will allow participation and wider access to technical assistance in the various programmes and working groups of CARICOM. Associate member status does not require the Cayman Islands to participate in the Caribbean Single Market and Economy, which would entail the free movement of CARICOM nationals and goods and services across the borders of the Cayman Islands.

VIII. Future political status of the Territory: position of the administering Power

77. On 8 October 2001, the representative of the United Kingdom made a statement before the Fourth Committee (see A/C.4/56/SR.3) in which she welcomed the opportunity to present its position as an administering Power and reported on "further progress made towards the modernization and development of

the relationship between the United Kingdom and its overseas Territories".

78. The United Kingdom representative said that the third meeting of the Overseas Territories Consultative Committee had been held in London in September 2001. The meeting had been hosted by Baroness Amos, who was appointed Foreign Office Minister for the Overseas Territories in June 2001. The Consultative Committee provided a forum for structured political dialogue and exchange of views between the elected representatives of the Overseas Territories and Her Majesty's Government. The meeting was an opportunity to continue dialogue on the management of public affairs and future development of the Overseas Territories, and enabled Ministers and Overseas Territories Governments to consult on matters such as the process of constitutional review and human rights issues arising from the United Kingdom's international commitments.

79. The representative of the United Kingdom said that the United Kingdom's partnership with her Overseas Territories continued to evolve and progress. On 21 June, the Government had introduced to Parliament the British Overseas Bill, which would grant British citizenship, with right of abode in the United Kingdom, to British Dependent Territories citizens from 13 of the United Kingdom's 14 Overseas Territories in fulfilment of a commitment made in the 1999 White Paper on the relationship between the United Kingdom and the Overseas Territories. The bill would also formally change the nomenclature from dependent to overseas territory to reflect more accurately the nature of the relationship. The United Kingdom and most overseas Territories adopted an Environment Charter on 26 September. That set out 10 guiding principles which express the key environmental commitments that the international community has adopted. Those (guiding principles) were followed by specific commitments on the part of the United Kingdom and Overseas Territories' Governments, indicating how they would work in partnership for the benefit of the environment. It was a good example, the representative of the United Kingdom said, of how progress could be made working together in an area of mutual interest, which was critical to the future prosperity, well-being and even survival of many of the Overseas Territories and their communities.

80. The representative of the United Kingdom pointed out that, as the record showed, for the United Kingdom, the wishes of the peoples concerned, exercised in accordance with the other principles set out in the Charter of the United Nations and in other international treaties, are of paramount importance. The relationship of the United Kingdom with the Territories continued to be based on the following fundamental principles: self-determination; mutual obligations; freedom for the Territories to run their affairs to the greatest degree possible; and a firm commitment from the United Kingdom to help the Territories economically and to assist them in emergencies. The representative of the United Kingdom said she was sure the Committee recognized the basic commonality of approach between the British Government and the Committee.

81. Nevertheless, she stated, it was a pity that while there was so much in common in their approaches, that was not always properly reflected in all relevant resolutions, in particular of the Special Committee on decolonization. The United Kingdom welcomed the fact that the annual "omnibus" resolution stated that "... in the decolonization process there is no alternative to the principle of self-determination". The United Kingdom therefore regretted that the Committee of 24 continued only to apply this principle selectively. This principle was enshrined in the Charter of the United Nations and the International Covenant on Civil and Political Rights.

82. The United Kingdom, she stated, would continue to work to improve its cooperation with the Committee of 24. A representative of the United Kingdom attended the regional seminar of the Special Committee in Havana in 2001.

83. The United Kingdom welcomed the efforts made by the Committee of 24, begun under the constructive leadership of Ambassador Donigi, to pursue informal dialogue with the administering Powers with a view to the possible future removal of the Territories from the Committee's list. Careful preparations would be necessary before the United Kingdom could expect substantive progress to be made but the United Kingdom remained ready to cooperate with the Committee in those efforts.

IX. Consideration by the General Assembly

84. On 10 December 2001, the General Assembly adopted, without a vote, resolution 56/72 B, section V of which deals with Cayman Islands.

Notes

[1] The present working paper is based on information provided by the administering Power under Article 73 *e* of the Charter of the United Nations, as well as from published sources.

[2] Cayman Islands, 2000, Annual Report and Official Handbook (provided by the administrating Power).

[3] News Release, Foreign and Commonwealth Office, United Kingdom, 29 November 2001.

[4] Press Release "Baroness Amos and Citizenship", *St. Helena Herald*, 22 March 2002.

[5] *Caribbean Insight*, 23 November 2001.

[6] Oxford Analytica, via NewsEDGE/LAN, 30 November 2001.

[7] *The Caymanian Compass*, 27 September 2001.

[8] See, for example: *The Caymanian Compass*, 28 June 2001, 29 June 2001, 23 August 2001, and 21 September 2001.

[9] *The Royal Gazette*, 29 June 2001.

[10] *Caribbean Insight*, 10 August 2001; "State of the Nation — The Way Forward", speech made by the Honourable W. McKeeva Bush, OBE, JP, Leader of Government Business, 10 January 2002.

[11] Press Release, Cayman Islands Monetary Authority, 8 March 2002; *Cayman Net News*, issue 119, October 2001.

[12] Budget Address 2002, George A. McCarthy, O.B.E., J.P., Financial Secretary, 5 December 2001.

[13] Ibid.

[14] Statement by the Honourable W. McKeeva Bush, OBE, JP, Leader of Government Business, Minister of Tourism, Environment, Development and Commerce, 9 January 2002.

[15] Budget Address 2002, George A. McCarthy, O.B.E., J.P., Financial Secretary, 5 December 2001; *The Caymanian Compass*, 17 October 2001.

[16] Statement by McKeeva Bush, Minister of Tourism, Environment and Transport, 16 July 2001.

[17] *The Caymanian Compass*, 15 June 2001, 10 October 2001.

[18] *Caribbean Insight*, 30 March 2001, 10 August 2001.

[19] Budget Address 2002, George A. McCarthy, O.B.E., J.P., Financial Secretary, 5 December 2001.

[20] NewsEDGE, 15 July 2001.

[21] Press Release, Cayman Islands Financial Services, 22 June 2001.

[22] Press Release, Cayman Islands Financial Services, 8 February 2002; NewsEDGE/LAN 3 October 2001, 17 January 2002.

[23] *The Caymanian Compass*, 5 July 2001.

[24] *The Caymanian Compass*, 29 June 2001.

[25] Governor Peter J. Smith, CBE, the Speech of the Throne, 15 February 2002.

[26] Cayman Islands, *Annual Report*, 1998.

[27] *Caribbean Insight*, 6 April 2001.

[28] *The Caymanian Compass*, 28 June 2001, 29 June 2001; *The Royal Gazette*, 29 June 2001.

[29] Press release, Cayman Islands Government Information Services, 5 October 2001; *St. Helena Herald*, 23 November 2001.

[30] *The Cayman Compass*, 1 April 1999.

[31] Address by the Minister for Education, Human Resources and Culture to Chamber of Commerce, 6 March 2002.

[32] Oxford Analytica, Latin America Daily Brief, 30 November 2001.

[33] Press Releases, Cayman Islands Government Information Services, 15 August 2001, 11 October 2001; *The Caymanian Compass*, 30 May 2001.

[34] *The Caymanian Compass*, 3 October 2001, 17 October 2001.

[35] *Cayman Net News*, Issue 133, December 2001.

[36] Press Release, Cayman Islands Government Information Services, 7 January 2002.

[37] Governor Peter J. Smith, CBE, the Speech of the Throne, 15 February 2002.

[38] Cayman Islands, *Annual Report*, 1998.

[39] *Cayman Net News* (www.caymannetnews.com), March 2001, No. 2065.

[40] British Overseas Territories White Paper, appendix I.

[41] *The Caymanian Compass*, 28 May 2001.

[42] *The Caymanian Compass*, 28 September 2001.

[43] Press Release, Cayman Islands Government Information Services, 8 February 2002.